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Classification of accounts for sugar estates

Charles E. Wermuth

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Classification of Accounts

— FOR —

Sugar Estates

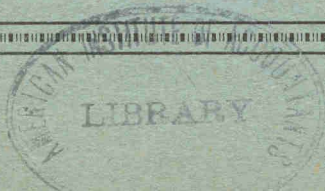


PUBLISHED BY

CHAS. E. WERMUTH

CERTIFIED PUBLIC ACCOUNTANT

NEW ORLEANS, U. S. A.



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CLASSIFICATION OF ACCOUNTS

FOR

SUGAR ESTATES

BY

CHAS. E. WERMUTH, C. P. A.

NEW ORLEANS, LA.

1922

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PREFACE.

The relative efficiency and economy of the management of an industry can be measured only by comparison of one plant with another, and for that purpose an intelligent and uniform classification of expenses is essential. The object of this pamphlet is to secure uniformity of practice among sugar estates, thereby making a correct comparison of their operations possible.

The operations of a sugar estate divide themselves into two distinct departments, the Agricultural Department and the Manufacturing Department, each under the direction of an officer charged with its operation and responsible for its expenses. The classification presented in the following pages follows this division with such subdivisions as will insure those in charge the necessary control over the expenses for which they are responsible.

This classification has been in use since 1904, having been revised from time to time with the assistance of managers of sugar estates with many years' experience in all branches of the industry. It has again been revised and adjusted to present conditions and is now presented for the information and assistance of those who may have occasion to use it.

CHAS. E. WERMUTH, C. P. A.

New Orleans, August 10th, 1922.

CLASSIFICATION OF ACCOUNTS

1. GENERAL LEDGER ACCOUNTS.

All receipts and disbursements and other transactions are credited and charged to the general ledger accounts herein established and distributed under the subdivisions provided under the respective general divisions.

ACCOUNTS PAYABLE AND PAYROLLS:

To this account is credited, at the close of each month, the total amount of vouchers and payrolls approved for payment and charged to the payment of the same.

ADDITIONS AND IMPROVEMENTS:

To this account are charged all expenditures for the construction of new buildings or additions to existing buildings, additional machinery and equipment and other expenditures by which the value of the property has been appreciated or the capacity of the plant increased. All charges to this account must be classified under the sub-accounts herein established and posted in a record provided for the purpose. (See Classification of Additions and Improvements.)

AGRICULTURAL OPERATIONS:

To this account are charged all expenditures for repairs required to maintain the roads, bridges, ditches, buildings, live stock, equipment and tools, etc., in thorough condition, also the cost of planting cultivating and harvesting the crops. (See Classification of Operating Expenses.)

BILLS PAYABLE:

To this account is credited the amount of notes and bills discounted and charged the payment of the same.

BILLS RECEIVABLE :

To this account is charged the amount of notes and bills receivable and credited the collection of the same.

BONDS :

To this account is credited the par value of mortgage bonds issued and charged the payment of the same.

CAPITAL STOCK :

To this account is credited the par value of all shares issued.

CANE PURCHASES :

To this account are charged all payments for sugar cane, also the value of cane received from the Company's own plantations and credited to "agricultural operations."

CANE TRANSPORTATION :

To this account are charged all payments for transportation of sugar cane.

CASH :

To this account is charged, at the close of each month, the total cash receipts and credited the total disbursements.

COMMISSARY :

To this account is charged the cost of merchandise purchased, returns and allowances and all wages and other expenses incident to the operation of the commissary, and credited, the sales of merchandise.

COST OF PLANT :

To this account is charged the cost to the present owners, of the plant, machinery, equipment, etc., a separate account being kept of :

- a.* Real Estate ;
- b.* Railroad and Equipment ;
- c.* Sugar House Buildings ;
- d.* Sugar House, Machinery and Equipment ;
- e.* Office Furniture and Fixtures ;
- f.* Plantation Buildings and Appurtenances ;
- g.* Automobiles, Tractors and Trucks ;
- h.* Live Stock, Implements and Gear.

COMMISSION AND BROKERAGE :

To this account is charged commission and brokerage on sales of sugar and molasses.

DEPRECIATION RESERVE :

To this account is credited the amount set aside each year for depreciation.

DIVIDENDS :

To this account is credited the total amount of each dividend declared by the Board of Directors and charged the payment of the same. A separate account should be kept of each dividend.

EXCHANGE :

To this account is charged exchange, interest and other charges paid for the collection of cheques, drafts, etc.

FACTORY OPERATIONS :

To this account are charged all expenditures for repairs required to maintain the factory and other buildings connected with the factory, machinery, equipment and tools in thorough repair and perfect working order, also labor, material, fuel and supplies and other expenses incident to the operation of the factory. (See Classification of Operating Expenses.)

FERTILIZER :

To this account is charged the cost, including freight, of fertilizer purchased and credited the proceeds from the sale of fertilizer to tenants and others, and fertilizer used on plantations. Fertilizer used on plantations should be charged to agricultural operations account 19.

GENERAL EXPENSES :

To this account are charged salaries and other compensation of officers, salaries of clerks, etc., and all other expenses incident to the general administration of the Company's affairs. (See Classification of Operating Expenses.)

INTEREST AND DISCOUNT :

To this account is charged all interest and discount paid on borrowed money and credited interest collected on bills receiv-

able and open accounts. A separate account should be kept of interest collected on U. S. Liberty Bonds.

INVENTORIES:

To this account is charged the value of sugar, molasses and material, fuel and supplies on hand at the close of the season and credited the proceeds from the sale of sugar and molasses. A separate account should be kept of

- a. Sugar;
- b. Molasses;
- c. Material, Fuel and Supplies.

NOTE: All material, fuel and supplies are charged to the respective expense accounts when received, the inventory of material, fuel and supplies on hand at the close of the season is deducted from these accounts and charged to "Inventory." At the beginning of the following season "Inventory" is credited and the various expense accounts are charged with the amount of the inventory.

INVESTMENTS:

To this account is charged the cost of stocks, bonds and other assets owned and not used in connection with the operation of the property.

MOLASSES SALES:

To this account are credited the proceeds from the sale of molasses, each season's crop being kept separate.

MORTGAGE NOTES PAYABLE:

To this account is credited the par value of mortgage notes issued and charged the payment of the same.

OPERATION OF RAILROADS AND STEAMBOATS:

To this account are charged all expenses necessary to keep the railroads, railroad equipment, steamboats, barges, etc., in thorough repair and perfect working order, also wages, fuel and supplies used in the operation of railroads, steamboats, etc.

PEAS:

To this account is charged the cost, including freight, of cow peas and velvet beans and credited the proceeds from the sale of

the same to tenants and others and peas and velvet beans used on plantations. Peas and beans used on plantations should be charged to "Agricultural Operation" Account 19.

PROFIT AND LOSS:

To this account is credited or charged the surplus or deficit from the operations of the current season, also profits or losses from transactions which occurred in previous seasons.

REPLACEMENTS:

To this account are charged all expenditures for buildings constructed, machinery and equipment purchased, to replace buildings, machinery and equipment, destroyed, worn out or condemned. All charges must be classified under the sub-accounts herein established and posted in detail in a record provided for that purpose. (See Classification of Replacements.) This account is closed at the end of each year into "Reserve for Depreciation."

SUGAR SALES:

To this account are credited the proceeds from the sale of sugar, each season's crop being kept separate.

TAXES:

To this account are charged all federal, state and municipal taxes and licenses, except federal income taxes.

TOLL CHARGES:

To this account are credited toll charges on cane ground for account of the owner.

NOTE.—In addition to the above accounts, accounts are kept with commission merchants, cane growers, tenants, laborers for advances, and sundry debtors and creditors which, for convenience, may be carried in separate ledgers. In keeping accounts with commission merchants, a separate account should be kept for each season.

II. CLASSIFICATION OF OPERATING EXPENSES.

(a). AGRICULTURAL OPERATIONS.

1. MAINTENANCE AND REPAIRS.

1. ROAD AND BRIDGES :

Labor and material used for repairs and maintenance of roads and bridges.

2. DITCHES AND DITCH BANKS :

Labor and material used for repairs and maintenance of ditches and ditch banks, canals, etc.

3. REPAIRS OF BUILDINGS AND FENCES :

Labor and material used for repairs and maintenance of fences, dwellings, stables, sheds and other buildings not appertaining to the factory, painting and whitewashing of buildings, cabins, etc.

4. REPAIRS OF TRACTORS AND TRUCKS :

Labor and material used for repairs and maintenance of tractors and trucks.

5. REPAIRS OF IMPLEMENTS AND GEAR :

Labor and material used for repairs of implements, tools, harness, etc. Also cost of implements, tools, harness, etc., purchased to replace such as are worn out or lost

6. BLACKSMITH SHOP :

Material and supplies used in the blacksmith shop, wages of blacksmith and helpers.

NOTE —Work done by the blacksmith shop for the factory should be charged to "Factory Operations," Account 30, 31 and 32.

2. PLANTING AND CULTIVATING SUGAR CANE.

7. FALL PLOWING AND PLANTING :

Labor for fall planting, including cutting of cane for fall plant.

8. SPRING PLANTING :

Labor for spring planting, including labor cutting and windrowing cane for spring plant.

NOTE.—A record should be kept of the acreage, also the seed cane used for fall planting and for spring planting.

9. PLOWING AND CULTIVATING (PLANT CANE) :

Labor of plows and cultivators on plant cane.

10. HOEING AND SHOVELING (PLANT CANE) :

Labor of hoe hands and quarter drain shovel men on plant cane.

11. PLOWING AND CULTIVATING (STUBBLE) :

Labor of plows and cultivators on stubble.

12. HOEING AND SHOVELING (STUBBLE) :

Labor of hoe hands and quarter drain shovel men used in stubble.

13. TRACTORS :

Labor and supplies used in operating tractors.

14. FERTILIZER :

Cost of fertilizer used on cane lands.

3. HARVESTING SUGAR CANE.

15. CANE CUTTING :

Labor cutting cane for mill.

16. CANE LOADING :

Labor loading cane on wagons.

17. CANE TRANSFER :

Labor transferring cane from wagons to cars.

18. CANE HAULING :

Labor hauling sugar cane.

4. PLANTING, CULTIVATING AND HARVESTING CORN
AND HAY CROP.

19. PLANTING :

Seed corn, cow peas, velvet beans and labor used in planting corn and hay crop.

20. PLOWING AND CULTIVATING :

Labor plowing and cultivating corn and hay crop.

21. HOEING AND SHOVELING :

Labor hoeing and shoveling.

22. FERTILIZER :

Cost of fertilizer used on corn lands.

23. HARVESTING :

Labor harvesting corn and hay crops.

24. TRACTORS :

Labor and supplies used in operating tractors

5. GENERAL EXPENSES.

25. OVERSEERS' SALARIES :

Salaries of overseers and assistants.

26. TIME-KEEPERS :

Salaries of time-keepers and all other expenses incident to keeping time.

27. FEED :

Cost (including freight) of commercial feed purchased, also hay, corn, molasses, etc., from Company's own plantation and labor grinding and mixing.

28. STABLE EXPENSES :

Wages of stable men, cost of veterinary services and medicines, salt and other expenses incident to the care of live stock

29. LABOR TRANSPORTATION :

Payments for transportation, less collection from laborers.

30. CLEANING GROUNDS:

Labor cleaning grounds.

31. DRAINAGE MACHINE:

Labor, material, fuel and supplies used for the maintenance and operation of drainage machines.

32. MISCELLANEOUS:

All miscellaneous expenses not especially provided under any of the foregoing headings.

(b). FACTORY OPERATIONS.

1. MAINTENANCE AND REPAIRS.

33. REPAIRS OF DERRICKS AND SCALES:

Labor and material used for repairs and maintenance of derricks, hoists and scales.

34. REPAIRS OF BUILDINGS:

Labor and material used for maintenance and repairs of factory buildings, commissary and office buildings, boarding houses and dormitories, dwellings, stables, warehouses and other buildings appertaining to the factory.

35. REPAIRS OF ENGINES AND BOILERS:

Labor and material used for repairs of engines, boilers, and their settings, smoke stacks, etc.

36. GENERAL MACHINERY REPAIRS:

Labor and material used for repairs of all machinery, including carrier, crusher mills, electrical appliances, etc., except as provided for in account 35.

37. REPAIRS OF TOOLS AND EQUIPMENT:

Labor and material used for repairs of equipment and tools.

38. ENGINEER'S SALARY:

Salary of Chief Engineer, except as provided in account 43.

39. BOARDING HOUSE:

Supplies used by boarding house, also wages and other compensation paid boarding house keeper, except as provided for in account 54.

40. LODGING HOUSE:

Cost of furnishings, supplies, etc., for lodging houses, also wages of porters, etc.

2. GRINDING.

41. DERRICK CHARGES:

All expenses in connection with the operation of derricks, including rentals paid to railroads or individuals.

42. CANE TROLLEY:

Labor at cane trolley.

43. ENGINEER'S SALARY:

Salary of chief engineer and assistants during the grinding season.

44. LABOR:

Wages of firemen and helpers, sugar boilers and assistants and all other labor employed at the factory during grinding season, with such subdivisions as the manager may elect.

45. FUEL:

Cost (including freight) of fuel oil, coal or wood used for fuel.

46. OIL, PACKING AND WASTE:

Cost (including freight) of lubricating oils, grease, packing and waste used during grinding.

47. LIME, SULPHUR AND ACIDS:

Cost (including freight) of lime, sulphur and acids.

48. FILTER PRESS CLOTH AND BAGS:

Cost (including freight) of cloth used on filter presses and bags used on bag filters.

49. WATER:

Payments for water, cost of operating wells, pumping stations, etc., to supply factory with water.

50. SUGAR BAGS AND BARRELS:

Cost (including freight) of sugar bags and barrels, molasses barrels, etc.

51. OTHER FACTORY SUPPLIES:

Cost (including freight) of all supplies used in the factory except as provided for under accounts 45, 46, 47, 48, 49, 50 and 52.

52. LABORATORY:

Cost (including freight) of all supplies used in the laboratory, also salary of chemist.

53. LABOR TRANSPORTATION:

Payments for transportation, less collections from laborers.

54. BOARDING HOUSE:

Supplies used by boarding house, also wages and other compensation paid boarding house keepers.

55. LODGING HOUSE:

Cost of furnishings and supplies for lodging house, wages of porters, etc.

Note: Where it is impossible to keep separate accounts of the operations of boarding and lodging houses during the repair period and grinding season, the total cost of operating boarding and lodging houses for the entire season should be apportioned between "Maintenance and Repairs" and "Grinding" on the basis of the total expenses for each department.

56. ODDS AND YARD:

Labor cleaning and beautifying yards, grounds, etc., and wagon teams doing miscellaneous hauling.

57. DRYING SECONDS:

A. LABOR.

B. FUEL AND SUPPLIES.

Labor, fuel, packages and other supplies used for second sugars and boiling back molasses to thirds masse cuite.

58. DRYING THIRDS:

A. LABOR.

B. FUEL AND SUPPLIES.

Labor, fuel, packages and all other supplies used for third product and boiling molasses to uniform merchantable density when necessary, also cost of shipping molasses.

(c) OPERATIONS OF RAILROADS AND STEAMBOATS.

59. REPAIRS OF ROADWAY AND EQUIPMENT:

Labor and material used for repairs of road and equipment.

60. CAR RACKING:

Cost of racking cane cars less proportion charged to railroads.

61. FUEL AND SUPPLIES:

Cost of fuel consumed by locomotives and steamboats, also cost of lubricating oils, waste, packing, etc.

62. LABOR:

All labor used in connection with the operation of railroads, tramway, boats and barges.

(d) GENERAL EXPENSES.

63. OFFICERS' SALARIES:

Salaries and other compensation paid officers.

64. OFFICE SALARIES:

Salaries paid bookkeepers and assistants, cashiers, clerks and general time keeper.

65. POSTAGE, TELEPHONE AND TELEGRAMS:

Postage, telegrams, phone rentals and long distance tolls.

66. STATIONERY AND PRINTING:

Cost of stationery, printing and office supplies.

67. LEGAL EXPENSES AND AUDITING:

Fees and expenses paid accountants, retainers and fees paid attorneys, and all other legal expenses.

68. AUTOMOBILES:

Cost of maintaining and operating automobiles.

69. RENT:

Payments for rent.

70. INSURANCE ON PLANT:

Premiums on insurance policies covering plant and property.

71. INSURANCE ON STOCK:

Premiums on insurance policies covering sugar, molasses, product in process of manufacture and supplies.

72. INCIDENTALS:

Traveling expenses of officers and employes, subscriptions to periodicals, membership fees paid associations and all other expenses not especially provided for under any of the above headings.

73. DONATIONS:

Cost of sugar or other product, cash donations, etc., for charitable and other purchases.

Note: Sugar and other product, fuel, etc., furnished to employes and laborers as part of their compensation should be charged to the same account as their salaries and wages. Where medical attention is furnished and group insurance carried for employes the cost should also be charged to the accounts to which the salaries and wages are charged.

CLASSIFICATION OF EXPENDITURE FOR ADDITIONS, IMPROVEMENTS AND REPLACEMENTS.

ACCOUNT NUMBER	ACCOUNT	
Additions and Improvements	Replacements	
100	200	Buildings
		Steam Power Plant
101	201	Engines
102	202	Pumps
103	203	Boilers
104	204	Air Compressors
		Electric Lighting and Power Plant
105	205	Dynamos
106	206	Generators
107	207	Switch Board
108	208	Motors
		Mill
109	209	Carrier
110	210	Bed Plates and Stands
111	211	Housing
112	212	Rollers
113	213	Gearing
		Sugar House
114	214	Receiving Tanks
115	215	Juice Heaters
116	216	Clarification System
117	217	Settling Tanks
118	218	Bag Filters (for clear juice)
119	219	Filter Pressers (for settlings)
120	220	Evaporators
121	221	Storage Tanks
122	222	Vacuum Pans (with their pumps)
123	223	Mixers with Centrifugal Machines
124	224	Molasses Tanks
125	225	Sugar Bins
126	226	Hot Room with Cars
127	227	Magna Tanks
128	228	Magna Pumps
129	229	Other Machinery
		Miscellaneous
130	230	Shafting
131	231	Pulleys
132	232	Belting
133	233	Fire Equipment
134	234	Miscellaneous Equipment
135	235	Tools

EXHIBIT A.

STATEMENT OF PROFIT AND LOSS AND SURPLUS.

PROFIT AND LOSS	Dr.	Cr.
Net earnings or loss from agricultural operations, Exhibit B.....		
Net earnings or loss from factory operations, Exhibit C.....		
Net earnings or loss from operation of commissary		
Interest on Liberty Bonds.....		
Other interest received.....		
Miscellaneous earnings....		
General Expenses:		
Officers' salaries.....		
Office salaries		
Postage, telephone and telegraph.....		
Stationery and printing.....		
Legal expenses.....		
Rent		
Insurance on plant.....		
Insurance on stock.....		
Incidental expenses.....		
Donations		
Taxes		
Interest and discount.....		
Exchange		
Depreciation Schedule 3..		
Other charges.....		
Net profit.....		
SURPLUS	Dr.	Cr.
Balance at beginning of period.....		
Net profit or loss for period.....		
Other credits.....		
Federal income tax.. ..		
Dividends		
Other charges		
Balance at end of period.....		

EXHIBIT B.

AGRICULTURAL OPERATIONS.

EARNINGS	Amount	Total
Sugar cane sent to factory..... tons		
Corn bushels		
Seed cane sold tons		
Other		
Total earnings		
EXPENSES		
Maintenance and repairs:		
Roads and bridges.....		
Ditches and ditch banks.....		
Repairs of buildings and fences.....		
Repairs of tractors and trucks.....		
Repairs of implements and gear.....		
Blacksmith shop.....		
Planting and Cultivating:		
Fall plowing and planting.....		
Spring planting.....		
Plowing and cultivating (plant cane).....		
Hoeing and shoveling (plant cane).....		
Plowing and cultivating (stubble).....		
Hoeing and shoveling (stubble).....		
Tractors		
Fertilizer		
Harvesting Sugar Cane:		
Labor cutting.....		
Labor loading.....		
Cane transfer.....		
Cane hauling.....		
Corn and Hay Crop:		
Planting		
Plowing and cultivating.....		
Hoeing and shoveling.....		
Fertilizer		
Harvesting		
Tractors		
General Expenses:		
Overseers and timekeepers		
Feed		
Stable expenses		
Labor transportation		
Cleaning grounds		
Drainage machine		
Miscellaneous		
Total expenses		
Net earnings or loss from agricultural operations		

EXHIBIT B. AGRICULTURAL OPERATIONS. (Continued)

Acres Under Cultivation:		
Plant cane		
Stubble		
Corn and hay		
Total		
Average Product Per Acre:		
Sugar cane		Tons
Corn		Bushels
Hay		Tons
Average earnings per acre		
Average expenses per acre		
Average net earnings per acre		

EXHIBIT C. FACTORY OPERATIONS.

PRODUCTION	Quantity Lbs' or Galls.	Amount	Total
Gross Sales:			
First sugar			
Second sugar			
Third sugar			
Molasses			
Less:			
Returns and allowances			
Freight			
Commission and brokerage			
Other charges			
Net Sales:			
Inventory variation (Schedule 1)			
Total production			
Toll charges			
Total			
COST OF PRODUCTION			
Sugar Cane:			
Cane received from Company's plantation			
Cane received from tenants.....	Tons		
Cane received from outsiders..	“		
Transportation to factory (Schedule 2)			
Total cost of cane ground			
Maintenance and Repairs:			
Repairs of derricks and scales.....			
Repairs of buildings			
General machinery repairs			
Repairs of equipment, tools.....			
Boarding and lodging house.....			
Factory expenses:			
Cane trolley			
Engineers' salary			
Labor			
Fuel			
Oil, packing and waste			
Lime, sulphur and acids			
Filter press, cloth and bags.....			
Water			
Sugar bags and barrels			
Other factory supplies			
Laboratory			
Labor transportation			
Boarding and lodging house.....			
Odds and yard			
Drying seconds			
Drying thirds			
Total cost of production			
Net earnings from factory operations			

EXHIBIT OF FACTORY OPERATIONS (Continued)

Daily capacity of factory	Tons
Cane ground	"
Number of days run	
Average number of tons ground per day.....	
Product:	
First sugar	Pounds
Second sugar	"
Third sugar	"
Total sugar	"
Molasses	Gallons
Average Per Ton of Cane:	
First sugar	Pounds
Second sugar	"
Third sugar	"
Total sugar	"
Molasses	Gallons
Sugar in cane	Pounds
Ratio of first sugars, 96 pol. to sugar in cane.....	%
Sugar in extracted juice.....	Pounds
Ratio of first sugars, 96 pol. to sugar in extracted juice	%
Average net proceeds per pound of sugar.....	Cents
Average net proceeds per gallon of molasses.....	"
<hr/>	
Average value of product per ton of cane grounds...\$	
Average cost per ton:	
Sugar cane	\$
Maintenance and repairs	
Labor	
Fuel and engine room supplies	
Lime, sulphur and acids.....	
Sugar bags and barrels.....	
Other factory supplies.....	
Drying seconds	
Drying thirds	
Net profit or loss per ton of cane	

**EXHIBIT D.
GENERAL BALANCE SHEET.**

ASSETS	
Current Assets:	
Cash in bank and on hand	
Accounts receivable	
Bills receivable	
Advances to tenants	
Advances to cane growers	
Inventories	
Less reserve for doubtful ac- counts	
Inter-Company Bills and Accounts Re- ceivable—	
Investments:	
Stocks in other corporations	
Bonds and mortgages	
Real estate not used in operation ...	
Charges deferred to future operatons:	
Insurance	
Taxes	
Expenses on growing crop	
Fixed assets:	
Real estate	
Railroad and equipment	
Sugar house, buildings	
Sugar house, machinery and equip- ment	
Office furniture and fixtures.....	
Plantation, buildings and appurte- nances	
Automobiles, tractors and trucks	
Live stock, implements and gear	
Good will, patents, etc.	
Total assets	
LIABILITIES AND NET WORTH	
Current Liabilities:	
Accounts payable	
Bills payable	
Wages payable	
Due to tenants	
Due to cane growers	
Accrued Liabilities:	
Taxes	
Insurance	
Dividends	
Fixed Liabilities:	
Bonds	
Mortgages	
Total liabilities	
Capital and Surplus:	
Capital stock, preferred.....	
Capital stock, common	
Surplus	
Total liabilities and net worth	

SCHEDULE 1. INVENTORY VARIATION.

	Quantity Lbs. or Galls.	Amount	Total
Inventory at Beginning of Period:			
First sugar			
Second sugar			
Third sugar			
Molasses			
Inventory at End of Period:			
First sugar			
Second sugar			
Third sugar			
Molasses			
Net inventory variation			

SCHEDULE 2. COST OF TRANSPORTATION OF CANE TO FACTORY.

Operation of Railroads, Tramways and Steamboats:			
Repairs			
Car racking			
Fuel			
Labor			
Transportation charges paid railroad and steamboat lines			
Derrick charges			
Total cost of transportation to factory			

SCHEDULE 3. DEPRECIATION.

DESCRIPTION OF PROPERTY	Cost or Value as at Mar. 1st, 1913	DEPRECIATION	
		Rate	Amount
Buildings, factory		3 ½ %	
Buildings, plantation		5 %	
Railroad and equipment		10 %	
Sugar house machinery and equipment		6 ½ %	
Office furniture and fixtures		10 %	
Automobiles, tractors and trucks		20 %	
Live stock, implements and gear		★	

*—Difference between ledger balance and inventory.

RESULT OF OPERATIONS.

The net results of the operations are shown in Exhibit A, statement of "Profit and Loss."

It will be noted that general expenses, taxes and depreciation are charged directly to "Profit and Loss." If so desired, payments for taxes may be divided between agricultural operations and factory operations and shown in Exhibits B and C. Depreciation may also be divided between the two departments and shown under the head of "Maintenance and Repairs," in Exhibits B and C. In view of the fact, however, that the depreciation charge is largely arbitrary and the rates vary considerably, it is recommended that depreciation be charged directly to "Profit and Loss," in order not to destroy comparison of agricultural and factory operations between different estates. General expenses may also be divided between the two departments, but as the division can be made only on an arbitrary basis, it is recommended that the charge be made directly to "Profit and Loss."

AGRICULTURAL OPERATIONS.

The results of the agricultural operations are shown in Exhibit B.

On some estates it is the practice to credit agricultural operations with the value of the sugar cane delivered to the factory at the same rate as paid to outsiders, while other estates charge the factory with the actual cost of producing the cane. The net results are the same under either method, in order to show, however, whether or not agricultural operations are profitable and in order that the practice may be uniform, it is recommended that the first method be used.

In order that the agricultural operations may receive credit for the entire crop, it is necessary that a record be kept of the corn or hay harvested, whether sold or used on the plantation.

FACTORY OPERATIONS.

The results of the factory operations are shown in Exhibit C, which also shows the efficiency of the mill as well as the efficiency of the sugar house.

GENERAL BALANCE SHEET.

The financial condition is shown in Exhibit D, General Balance Sheet. The assets and liabilities are classified so as to place their character clearly before those interested in them. Under "Current" are shown the liabilities which must be met currently and the assets available for their payment; under "Deferred" revenues and expenses appertaining to the operation of future years; under "Intercompany Notes and Accounts" the accounts due from and to proprietary and affiliated corporations. Under "Investments" are shown securities and other assets not used in connection with the operation and which might be turned into money when needed; under "Fixed" the cost of the plant and equipment and bonds and mortgages on same. Stocks owned which represent control of other enterprises should be shown under the head of fixed assets.

DEPRECIATION.

On all depreciable assets, such as live stock, implements and gear, the present value of which can be established by inventory at the end of each year, the actual depreciation should be charged, that is the decrease in value of the assets from their state when new or from their state as shown by the last inventory, to their present value, as viewed from the standpoint of their serviceability. This depreciation should be credited to the asset account, in other words, the account should be reduced at the end of each year to the amount of the inventory.

On all depreciable assets, the present value of which cannot readily be established by inventory at the end of each year, the depreciation charge should be an amount which will accumulate, during the estimated useful life of the assets, a fund sufficient to pay for their replacement. This depreciation should be credited to "Reserve for Depreciation."

The U. S. Revenue laws and the regulations, without fixing the rate of depreciation, provide for a *reasonable* allowance for exhaustion, wear and tear, etc. In determining the rate at which to charge the estimated depreciation, local conditions must be taken into consideration and no uniform rates can be adopted; the rates shown in schedule 3, therefore, are not applicable in all cases and must be considered as tentative only

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